

July 1, 2004

Honorable Mayor and Members of the City Council
City of Rockville, Maryland

It is my privilege to submit to you the adopted budget for the City of Rockville for FY 2005, which begins July 1, 2004. The adopted budget funds Mayor and Council goal items while supporting existing programs, services, and the City's infrastructure. This budget is a result of careful prioritizing and thoughtful evaluation of the City's needs and resources. Though the nation's economic picture remains uncertain, we are pleased to present a balanced budget without any increase in the tax rate. The tax rate remains at \$0.322 per hundred dollars of assessed value for real property. This will provide adequate funding to implement the new set of goals and objectives identified by the Mayor and Council, focusing heavily on their top priority of constructing the Town Square Project, which will be the first phase of the Rockville Town Center redevelopment.

Building Town Square

The City of Rockville has been struggling for 40 years to establish a vibrant town center. After years of incredible planning and hard work, the community is on the edge of seeing this important goal realized. FY 2005 represents the first year of construction on the Town Square project, which when completed, will serve as the economic, cultural, and social center of the City. Encompassing 12 acres of redevelopment, the new project will include a new library, a cultural arts center, a public square, 650 residential units, approximately 175,000 square feet of retail and restaurant space, and three public parking garages. The benefits to the City and its residents are immeasurable. The FY 2005 budget also funds a new 26,000 square foot cultural arts center built over ground-level retail. While the possible expansion of the center to include an additional floor and a theater has been discussed, the proposed Capital Improvement Program (CIP) does not include funding for this expansion.

Beyond the excitement and the benefits, building Town Square also represents the most expensive and resource-intensive project the City of Rockville has ever undertaken. The impacts on the FY 2005 budget are substantial, with major implications for the CIP and operating budgets. The City is drawing on many sources to meet the public infrastructure needs of Town Square construction, including funding commitments from the County, State, and federal governments. The City's own investment in these public improvements will total \$11.9 million.

The City also will sell a total of approximately \$40 million in general obligation bonds to build three public parking garages. Of that amount, five million dollars of bonds have already been sold. Developer contributions, parking district revenues, parking meter revenue and parking fine revenue all will be used to pay the debt service on these bonds over 30 years. This major investment is the most expensive part of the Town Square project for the City, and is a lynchpin to Town Square's success.



Parking shortages have long been a source of frustration and complaints for residents, customers and property owners in Town Center. Many of the parcels involved in the Town Square project could not be redeveloped without the additional parking that will be available when the three garages are completed.

Our Fiscal Situation

The demands of constructing Town Center, coupled with the influence of the troubled state and national economy, result in little flexibility for the City budget. The need to keep a large amount of ready cash on hand to launch Town Square construction has reduced the City's investment earnings below what they could have been, even given the low rate available in the marketplace. In addition, the City must budget conservatively to prepare for the inherent risks associated with constructing a project of this scale. We must be prepared for potential cost overruns or project changes, and this contingency diverts funds from other uses. During construction, our debt ratios will marginally exceed our policy targets. While the City is confident we have the resources to support the increased debt, it leaves us with less flexibility to fund new projects or respond to major challenges or opportunities.

To prepare a balanced budget for FY 2005 that includes funding for new initiatives called for by the Mayor and Council in their goals, staff cut \$409,030 from the operating budget and cut or postponed \$1,202,000 in CIP spending.

Economic pressures continue to restrict our revenue sources. We expect to absorb major funding cuts from the State of Maryland, the largest coming from reductions in our share of Highway User Revenue. The City has again absorbed a one-third reduction — almost \$800,000 — from the full funding amount for FY 2005. Program Open Space (P-O-S) is being funded at levels that are less than half of what the City was receiving several years ago. The P-O-S cuts have forced the City to reschedule and revise several important recreation projects. The Falls Grove Park has been delayed two years as a result of P-O-S shortages. Several maintenance projects were reduced to ensure the King Farm 28-acre park could be completed within the six-year CIP cycle. (The park was originally funded through P-O-S.)

One trend that has benefited the City's financial picture is the continued increases in property tax assessments due to the continued rise of property values throughout Rockville. Property values in Rockville and throughout the Washington Metropolitan area continue to climb, resulting in increased tax revenues for the City even as our tax rate remains constant.

Unfortunately, over \$350,000 had to be added to the proposed budget to cover anticipated energy cost increases in FY 2005. The City's electricity cost per kilowatt is expected to be 40 to 50 percent greater than it was in FY 2004, while unit costs for gasoline and natural gas will rise less dramatically. In addition, Montgomery County has tripled the energy tax, which will result in an FY 2005 City tax bill that will be several tens of thousands of dollars greater than it was in FY 2004.



Strengthening the Bottom Line

Based on the economic conditions that affect the State and County, the City identified the potential that our revenues for FY 2005 may not be sufficient to fund our operating needs. In an effort to address an anticipated shortfall, the City staff conducted a strategic review known as "Strengthening the Bottom Line."

Borrowing a process pioneered in Palo Alto, California, the City encouraged employees and work teams at all levels to generate ideas and suggestions to improve efficiency and cut costs. More than 400 ideas were considered by the City in an effort to improve Rockville's bottom line. A number of these suggestions are in the process of being implemented and will result in budget savings in this budget and in the future.

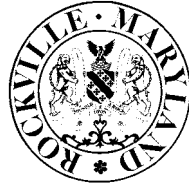
One budget savings identified through Strengthening the Bottom Line involves City staff taking over maintenance of traffic lights in the City. Currently, the City pays \$180,360 to an outside contractor to maintain traffic signals and streetlights and help with downtown decorations on light poles. The cost of the internal operation will be \$164,017 per year, including the cost of a new truck needed to complete the work. We anticipate a savings of \$16,343 and the ability to provide more timely and efficient services.

The City also will realize savings this year in color copying costs. The City used to use an outside printer for color copying. Costs increased over the past several years as the demand for color documents increased. As a result of the Strengthening the Bottom Line process, the City purchased a digital color copier and implemented a charge back system to departments requesting color copies. The City estimates that producing color copies in-house will save approximately \$0.23 per page and result in better service. These kinds of results were exactly what we were hoping for when we decided to go through this citywide effort.

In addition to the Strengthening the Bottom Line process, City staff regularly evaluates user fees to make sure we are keeping pace with the market and recovering an appropriate amount of costs for services. In FY 2004, the Recreation and Parks Department completed an extensive review of program fees. Each program area was evaluated based on the type of service provided and the economic status of the typical program user, and a revised cost recovery target was assigned accordingly. The review resulted in recommendations for fee increases, where warranted, to improve cost recovery. While the Department recommends increasing fees for a large number of programs, it also recommends increasing financial assistance offered to residents who may have difficulty paying for programs. The Recreation and Parks Advisory Board carefully reviewed these revised recommendations and reported its findings to the Mayor and Council.

Looking Forward

As Rockville looks toward the future, important trends will have an increasing effect on how we provide services and how we pay for those services. One major factor is the change in growth patterns. For many years, new development and growth have helped fund a steady stream of new projects, facilities and services. Community centers, roads, bike paths, parks, social services, and recreation programs have all expanded to serve new residents, but the benefits of these new services are enjoyed by all residents. As Rockville reaches its growth boundaries, we will no longer be able to look to growth as a source of steady revenue. While the City is and will continue to be financially sound, the addition of new facilities and new services must necessarily slow to keep in line with revenue growth. Any future revenue increases will result mostly from increasing property values identified by reassessment.



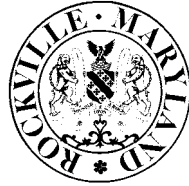
As the number of City services and facilities has increased, and as the prospect for growth tapers off, the importance of investing in our existing infrastructure becomes critical. Too many cities and counties across the country stand as unfortunate examples of what happens when communities fail to invest appropriately in their infrastructure. Rockville is well positioned to make the transition from growth to sustainability, but we must begin to make that shift now, and communicate to the public how important these investments are to the future of our City.

Mindful of the changes in our revenue stream, the City may need to focus more attention on economic development and expanding the tax base. As commercial properties redevelop, Rockville will need to focus on attracting the right kind of uses that both add to our quality of life and provide good jobs and revenue for the City. Town Square and Twinbrook Commons are current examples of the opportunities we have to build our tax base and benefit the City as a whole. Our future will hold more opportunities like these, but will require diligence and focus to make sure they are successful at meeting the sometimes-competing goals of community value and economic stability.

Rockville's increasing diversity is both an opportunity and a challenge. Rockville is fortunate to have so many unique and rich cultures in our community, and the social and cultural benefits for our citizens will only increase as our diversity grows. At the same time, there are challenges that accompany this increased diversity. The City is evaluating the need to provide more printed material in multiple languages and the associated costs. Increased diversity also creates a need to recruit an increasingly diverse City workforce, with an emphasis on multilingual staff. The City will continue to evaluate changes in our recreation programs and social services to ensure we are meeting the needs of a more diverse population.

The aging of Rockville's population is another demographic issue facing Rockville. While our services to seniors are widely regarded as the best in the region, the large proportion of the City's population now approaching retirement age will put serious strains on our services. While expanding services may be necessary, rethinking how best to provide services and how to pay for these services for the growing number of seniors may be necessary to adequately support Rockville's population. The Recreation and Park Advisory Board and staff have recently evaluated these future trends and current services. This budget reflects a fresh review with new cost recovery goals for these important City services.

As all these factors combine, we will need to make difficult choices about where to invest our resources. The City's financial commitment to Town Center has severely restricted the availability of funding for other CIP projects for several years. Even when the project is complete, our capacity for new projects will be reduced as we continue to pay increased debt service for Town Square construction. As we complete Town Square and other major investments in the Town Center, our focus will necessarily shift to investments in sustainability throughout the City. In communities like Twinbrook, a major portion of the City's housing stock is now over 50 years old, major investments will need to be made in services and support to help maintain the quality and character of our residential neighborhoods. Similar commitments will need to be made throughout the City to ensure our sustainability in the future.



New Goals for 2003-2005

With this constrained financial environment, the City is carefully allocating its resources to focus on the priorities of the Mayor and Council. After listening to citizens and discussing their own priorities, the Mayor and Council have set forth five goals for the next two years. They are:

Create a Vibrant Town Center TC

The Mayor and Council's most important policy initiative remains the successful redevelopment of Rockville's Town Center. The objective is to create a town center that will be the heart of the Rockville community and that will be distinctive, special and "uniquely Rockville." Many of the Mayor and Council's desired outcomes for the next two years involve the 12-acre Town Square project, including the establishment of distinctly user-friendly parking options, construction of a new cultural arts center and the implementation of a comprehensive transportation plan.

The proposed FY 2005 budget includes sufficient funds to pursue the outcomes associated with the 12-acre Town Square project. Implementation will be funded with \$11.9 from the Capital Projects Fund, a \$12 million multi-year commitment from Montgomery County, and potential contributions from the State and federal governments. Approximately \$40 million for parking garage construction will be funded with General Obligation bonds through the Parking Fund.

The Mayor and Council's goal to create a vibrant Town Center looks ahead to potential redevelopment of an additional 63 acres in the Town Center area. The FY 2005 proposed Capital Improvements Program (CIP) includes \$245,000 to create a vision and plan to redevelop the Stonestreet corridor. The goal is to establish opportunities for better utilization of properties near the Town Center and the public transportation system. In addition, the operating budget includes \$75,000 to create a vision and a plan for redevelopment of the Town Center block north of Beall Avenue. Both projects reflect the City's proactive approach to planning for additional needs and development in the Town Center.

Ensure New Development Citywide Enhances Rockville's Quality of Life

The Mayor and Council have identified several outcomes to proactively shape and manage new growth and development in the City. Their desire is to influence new development such that it contributes to the quality and character of the Rockville community and does not place undue burdens on existing neighborhoods.

The FY 2005 budget responds to this goal by designating funds for multi-year special projects that aim to improve the quality of life in Rockville. This new addition to the operating budget includes approximately \$1.1 million in FY 2005. The total includes \$410,000 for zoning ordinance revisions, \$215,000 for revisions to the Rockville Pike Corridor Plan and \$400,000 for a detailed study of the Twinbrook Metro Area, as well as other multi-year projects. Unspent money for these special projects will carry over to the next fiscal year to continue supporting the Mayor and Council's goal to improve the quality of life in Rockville.



Improve Pedestrian and Traffic Safety 🚌

One of the Mayor and Council's top priorities is the safety of Rockville's residents, including in their homes, in public places, as pedestrians and as motorists. The Mayor and Council suggest outcomes that improve pedestrian and traffic safety. They include increased traffic and pedestrian safety enforcement by Rockville police, neighborhood access improvements, traffic calming projects and efforts to improve pedestrian safety, especially on state roads in Rockville.

The FY 2005 CIP includes \$325,000 in the Pedestrian Safety/Traffic Improvements project for a variety of projects including improved pedestrian access to Beall Elementary School, sidewalk connections on Wootton Parkway, and illuminated crosswalks and countdown traffic signals throughout the City. The City also recognizes that lighting enhances traffic and pedestrian safety, so approximately \$75,000 in the proposed FY 2005 CIP funds streetlight improvements. In addition, current resources in the Police Department will be mobilized to provide more targeted pedestrian safety enforcement.

Strengthen Rockville's Neighborhoods and Sense of Community 🏠

The Mayor and Council continue their effort to support and strengthen Rockville's neighborhoods, and to bolster the sense of community among residents. The Mayor and Council would like to increase citizen awareness about the zoning ordinance and property maintenance codes through the City's Code Enforcement program. Another goal is to reduce recidivism in code enforcement violations.

The operating budget has adequate funding to support these community-strengthening efforts through existing programs, including the production of educational materials about the property code in multiple languages. In addition, Code Enforcement staff will attend homeowner association meetings regularly to communicate with residents about their neighborhood needs. Teams across the four divisions of the Department of Neighborhood and Community Services also will develop plans for additional outreach efforts.

In response to concerns about the affordability of housing in Rockville, the Mayor and Council wish to examine the City's Moderately Priced Dwelling Unit (MPDU) program and look for opportunities to expand it. The new special project funds in the operating budget includes \$6,500 to explore the expansion of the City's Moderately Priced Dwelling Unit program. The Mayor and Council also have expressed interest in addressing affordable housing for seniors. The Mayor and Council, City staff, and Town Square developers plan to work together in the coming year to assure appropriate placement of seniors in affordable housing in Town Center.

Finally, the Mayor and Council recognize the importance of drawing on Rockville's rich diversity of culture and age groups to enrich the lives of all Rockville residents. The one-time contingency is available to fund outreach and other efforts focused on the community's diversity.



Enhance the City Government's Performance

The Mayor and Council take seriously their responsibility to review the City government's performance, to support the provision of high-quality services, and to strive to do more with less. Another objective is to achieve best-in-class levels of customer satisfaction.

The Mayor and Council identified outcomes to implement a comprehensive project tracking system in the City and to take a closer look at the City's performance measurement program. Existing personnel in the City Manager's Office will develop the tracking system and examine the performance measurement system. One-time contingency funds may be used to implement any changes requested by the Mayor and Council.

The City's High Performing Organization (HPO) initiative, known as LEAD, also aims to enhance performance City wide. The City will continue to invest in training and other activities for the HPO program in FY 2005. The program encourages employees at all levels of the organization to recognize and use their leadership, management and decision-making abilities. The City is already realizing the benefits of this approach. For example, employees at all levels identified budget savings through the Strengthening the Bottom Line effort, employees contributed to more efficient and effective equipment purchases, and employees led an effort to revise the employee performance evaluation process.

The FY05 budget also recognizes that the stewardship of our existing infrastructure and services is crucial, especially in tight budget times. For example, to begin to address infrastructure needs, approximately \$1.1 million in the proposed FY 2005 CIP supports street resurfacing. Another \$850,000 funds a contract for the repair and replacement of concrete street components, such as curbs, gutters, and sidewalks.

The budget also includes funds to maintain the City's trees. The budget allocates an additional \$21,000 to begin catching up on preventive tree maintenance, concentrating on removal of hazardous trees. These additional funds will not support all the City's tree maintenance needs, but increases the level of service the City can provide over the next fiscal year.

Another City service area, refuse operations, currently is being studied to determine if our operations and management are well suited to provide the best possible service and value to our customers. Recommendations and potential changes to service levels or operations that result from this study will be considered in the coming fiscal year.

Budget Overview

The FY 2005 operating budget totals \$74,899,008. This represents an increase of 7.1 percent over the modified FY 2004 budget, net of the appropriated fund balance in the General Fund. The following chart illustrates how spending of approximately \$1 of taxpayers' money in FY 2005 is allocated among City departments.



The allocation of operating funds among the City departments in FY 2005 is similar to the allocation in the FY 2004 modified budget. The FY 2005 budget includes a 2.5 percent Cost of Living Adjustment (COLA) for City employees.

Fund Revenues and Expenditures

The majority of the City's spending comes from the tax-supported General Fund. Other significant funds include the Water, Sewer, and Refuse funds. User fees charged to City households and businesses support those funds. Six-year cash flows prepared as part of the budget process determine the fees charged. Each fund is described in more detail on the following pages.

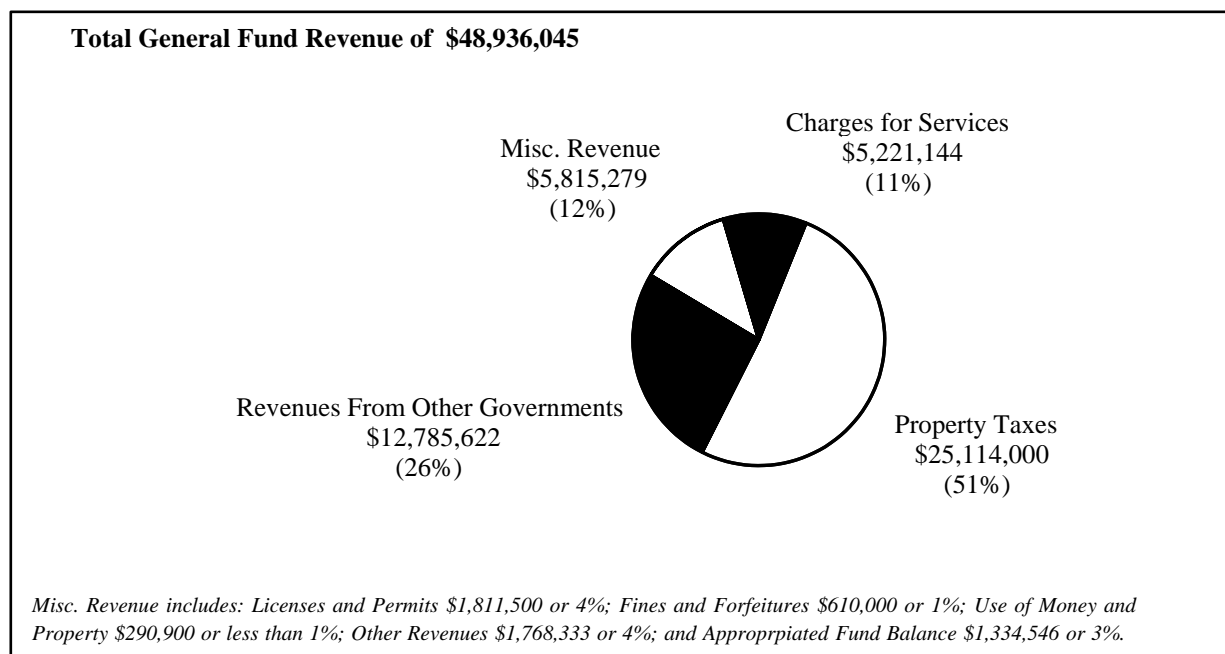
The bill for City utility services for the Rockville homeowner will be \$40.68 higher in FY 2005 than in FY 2004. This is an increase of 5.8 percent. The following chart shows the cost of City utility services for the "typical" homeowner.

	FY 2003	FY 2004	FY 2005	Amount Change	Percent Change
Water (72,000 gal/yr)	\$138.24	\$143.28	\$149.04	\$5.76	4.0%
Sewer (72,000 gal/yr)	\$243.36	\$252.00	\$259.92	\$7.92	3.1%
Refuse Charge	<u>\$285.00</u>	<u>\$306.00</u>	<u>\$333.00</u>	<u>\$27.00</u>	<u>8.8%</u>
Total	\$666.60	\$701.28	\$741.96	\$40.68	5.8%



General Fund

The proposed FY 2005 General Fund budget of \$48,936,045 is 7.6 percent higher than the modified FY 2004 budget, net of the appropriated fund balance in the General Fund. General Fund revenue in FY 2005 will exceed the revenue in the modified FY 2004 budget by \$3,381,795. The Fund Summary section of the proposed budget includes detailed information on the major FY 2005 General Fund revenue sources. The following graph summarizes the sources.

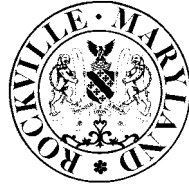


The major portion of the General Fund revenue growth is a projected increase in real property tax revenue of \$1,853,000 or 8.0 percent over the FY 2004 modified amount. No change is proposed to the property tax rate for FY 2005. Overall, the assessed value of all Rockville properties is estimated at nearly \$7.5 billion by the end of the FY 2005, an increase of 9.6 percent from the revised estimate for FY 2004. The City estimates that 70 percent of the property tax revenue increase is attributable to reassessments and the remainder is the result of the addition of new residential and commercial properties.

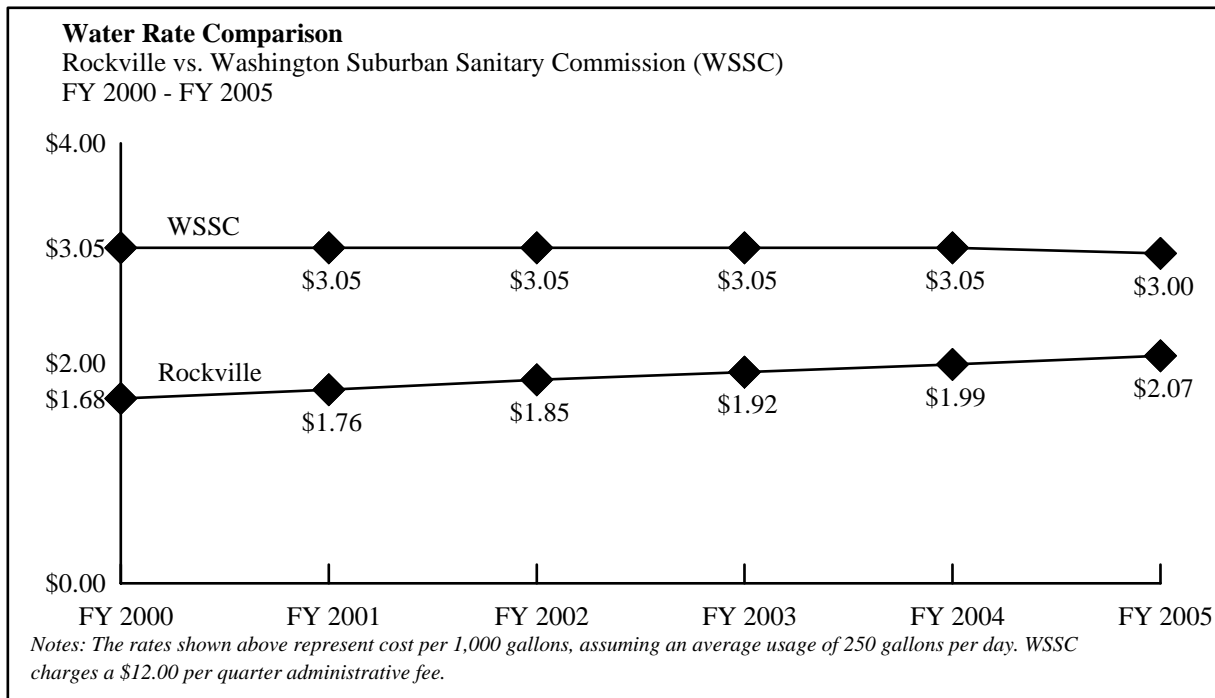
Income tax revenue is budgeted to increase by \$111,175 or 1.75 percent of the FY 2004 modified amount. However, the income tax revenue estimated for FY 2005 is below the amount actually received in FY 2002.

Water Facility Fund

The Water Fund will need a rate increase of \$.08 per thousand gallons in FY 2005. This will raise the rate to \$2.07 per thousand gallons, an increase of 4 percent. Similar rate increases are anticipated in future years to cover modest operating cost increases and to accommodate future capital spending.



The following chart compares Rockville's water rate to the rate charged by the Washington Suburban Sanitary Commission (WSSC) between FY 2000 - FY 2004 and their rate for FY 2005. Rockville continues to provide City customers with a good value by producing quality water at a rate significantly below the WSSC rate.



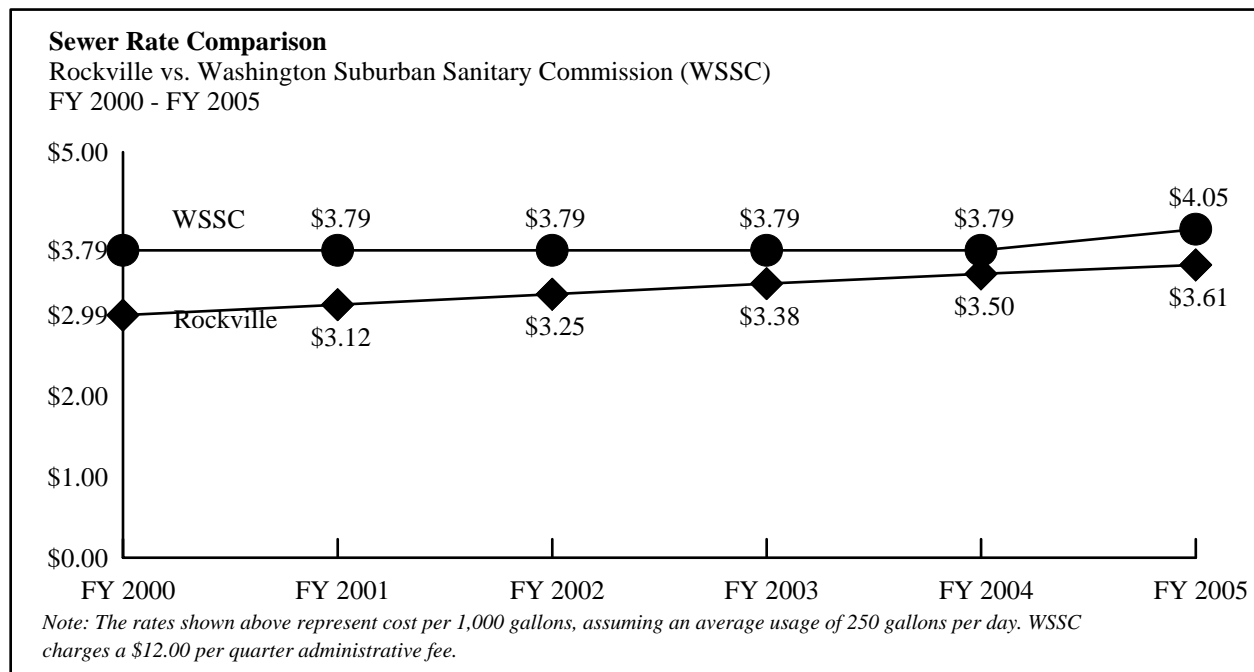
The City invested approximately \$11.6 million in significant water plant improvements over the past eight years. They included replacing and upgrading the filter and pumping systems in order to increase efficiency, comply with federal and State regulations, and accommodate future plant expansion. Currently, the plant has the capability to produce eight million gallons of water per day. Upon completion of the improvements in FY 2004, the plant will produce 14 million gallons of water per day. This investment in the water plant represents a proactive effort to meet the City's growing future water needs.

Sewer Fund

The Sewer Fund rate increase is \$.11 per thousand gallons in FY 2005, raising the rate to \$3.61 per thousand gallons. This represents a 3.1 percent increase. Nearly all of the capital costs in the Sewer Fund and a substantial portion of the operating costs are payments for the operation of and capital improvements to the regional Blue Plains Wastewater Treatment Plant. The 1998 Master Plan for the District of Columbia Water and Sewer Authority included a significant increase in planned capital costs, as reflected in the Regional Treatment Facilities CIP project. Similar rate increases are anticipated in future years depending on the pace of work at the Blue Plains facility.



The chart below compares the Rockville and Washington Suburban Sanitary Commission (WSSC) sewer rates. While City residents traditionally have paid lower rates than the WSSC customers, steady increases in City rates over the last several years brought it close to WSSC's rate in FY 2004. However, a significant WSSC rate increase in FY 2005 means that City residents continue to pay less than WSSC customers for sewer service in the upcoming fiscal year.



Refuse Fund

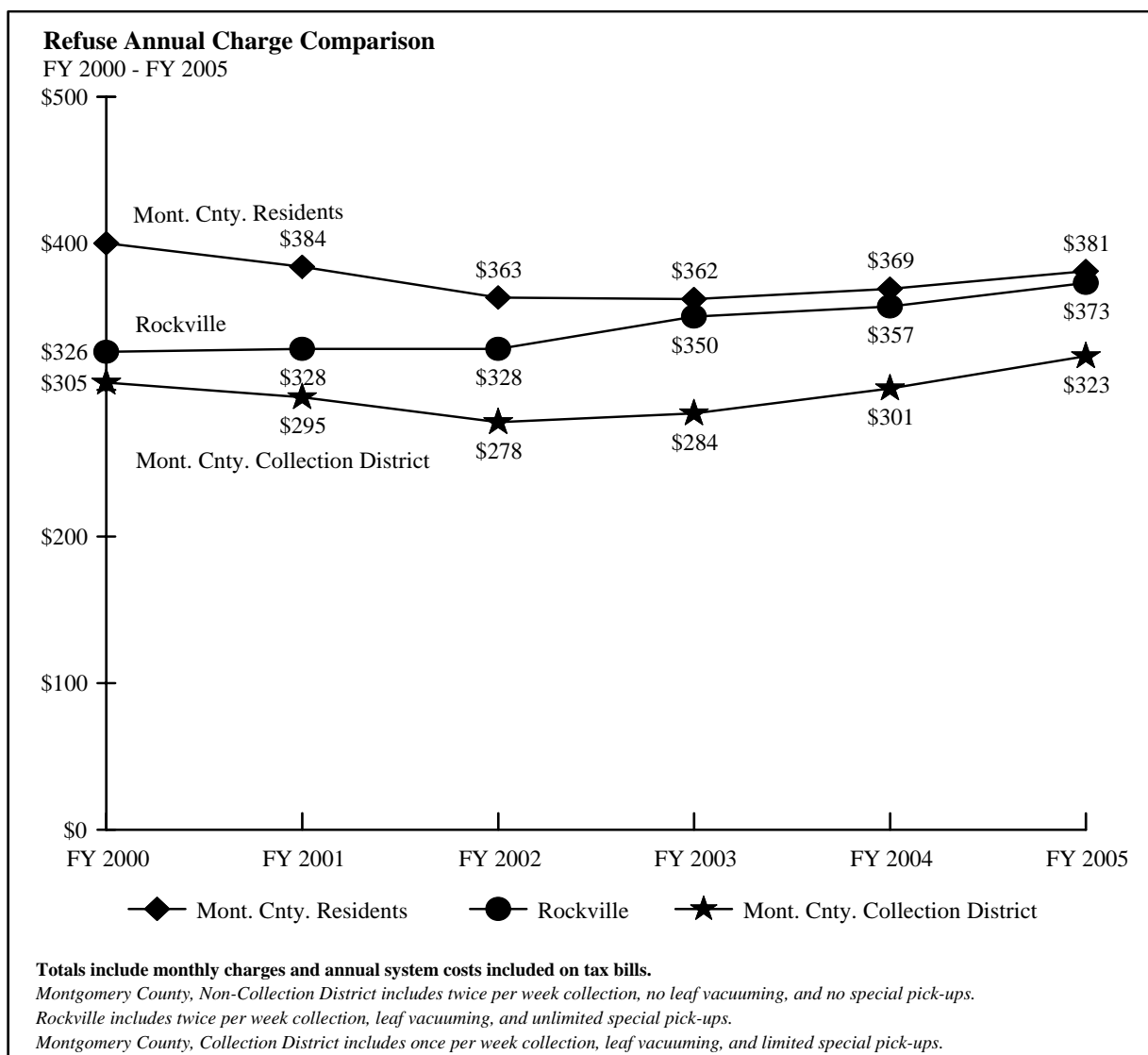
A cash flow analysis of the Refuse Fund has identified the need for a \$2.25 increase in the monthly rate for residential refuse collection, disposal and recycling services. The FY 2005 rate of \$27.75 per month is an 8.8 percent increase from FY 2004. Due to a previous accumulated balance in the Refuse Fund, rates are currently set at a level below the amount needed to cover all operating and debt service costs. As a result, successive annual rate increases are needed for the next few years to bring the rate up to this required level.

Montgomery County charges the City a tipping fee for refuse taken to the County's Transfer Station for disposal. The refuse tipping fee is based on an estimate of the amount of waste City residents will generate during the year. A proposed increase in the County's FY 2005 tipping fee contributes to the increase in the City's refuse rates in FY 2005. The County's proposed FY 2005 tipping fee increase will cost Rockville residents \$4.87 per household. That equates to a \$0.41 increase in the refuse rate.

City residents will pay \$372.69 total for refuse services in FY 2005. Residents will pay the City \$333.00 divided into quarterly payments, and will pay Montgomery County a \$39.69 Systems Benefit Charge with their tax bill.



The next chart compares Rockville's refuse rates to Montgomery County's. It combines both refuse payments, system charges, and other costs included on annual tax bills. The City's refuse rate is slightly lower than the FY 2005 cost of twice weekly service in Montgomery County's non-collection district; and the City provides additional services, including fall and spring leaf collection and special pick-ups. The City's rate is higher than the cost within Montgomery County's collection district, where service is provided only once per week.



Although the City's rate is slightly lower than the rate charged in Montgomery County's non-collection district, the City recognizes a need to improve refuse services and rates. As mentioned previously, in an effort to ensure that the City remains a good steward of the ratepayers' money, the Department of Public



Works will contract for a study in FY 2005 to re-think the City's approach to refuse collection. The study will evaluate an anticipated negative cash flow in the Refuse Fund through FY 2009. The goal is to examine the current expensive and outdated service delivery methods, and identify alternative cost effective and innovative approaches for the Mayor and Council's consideration.

Conclusion

In the course of this letter, I have brought to your attention what I believe to be the most significant operating and capital improvements expenditures in the FY 2005 budget, and highlighted the trends that I think are most important as we head into the future. I believe this document is a prudent and responsible financial plan that funds the top priorities of the Mayor and Council and provides adequate funding to maintain our services and infrastructure. The City's dedicated employees are ready to implement the budget and advance the Mayor and Council's plan for Rockville's future.

In closing, I wish to thank Finance Director Donna J. Boxer; Budget Officer Dominic Del Pozzo; Budget Management Administrator Susan Fournier; Management Assistant Jessica Chin; Controller David Rowland; Revenue Supervisor Susan Lander; Administrative Assistant Fran Jablonski; and Assistants to the City Manager Bo Ferguson and Jennifer Kimball; along with staff from all City departments, for their many hours of work in preparation of this document.

Respectfully,

A handwritten signature in cursive script that reads "Catherine Tuck Parrish".

Catherine Tuck Parrish
Acting City Manager

FY 2005 Budget Highlights

Rate Information:

- The property tax rate remains at \$0.322 per hundred dollars of assessed valuation for real property. The tax rate for personal property remains at \$0.805 per hundred dollars.
- The water rate increased by eight cents per thousand gallons to a new rate of \$2.07 to provide support for ongoing capital improvements.
- The sewer rate increased by eleven cents per thousand gallons to a new rate of \$3.61 to accommodate increased capital costs at the Blue Plains Wastewater Treatment Plant.
- The refuse rate increased by \$2.25 to a new rate of \$27.75 per month. \$0.41 of this increase is attributable to an anticipated increase in the fee paid at the County transfer station. Further increases will be needed in future years to accommodate modest cost increases and to assure that revenue covers all expenses.

Overview:

- The General Fund budget of \$48,936,045 is 7.6 percent higher than the modified FY 2004 budget, net of appropriated fund balance. The combined budget of \$74,899,008 for the City's 11 operating funds is 7.1 percent higher than the modified budget for FY 2004, also net of the appropriated fund balance in the General Fund.
- The FY 2005 Capital Improvements Program (CIP) appropriation is \$174,105,261. This funding provides for significant community enhancements that are beyond the scope of the operating budget. Funding for ongoing capital projects in the amount of \$138,358,032 is included in the FY 2005 appropriation.
- The Capital Projects Fund will issue bonds in the amount of \$5.18 million to finance projects; the Water Facility Fund will receive \$4.76 million in additional loan funds from the State of Maryland Department of the Environment for capital projects; the Sewer Fund will issue bonds in the amount of \$2 million to finance additional improvements at the Blue Plains facility, and the Refuse Fund will issue bonds in the amount of \$228,968 to fund vehicle purchases. The Parking Fund debt amount will be determined after all financial plans have been finalized.

Staffing Changes:

New and deleted positions for FY 2005 have a net increase of 2.1 FTEs and are listed below by department.

Department of Neighborhood and Community Services (NCS):

- In FY 2005, three of the divisions in the Department of Neighborhood and Community Services (Community Programs/Administration, Code Enforcement/Community Enhancement, and Youth and Family Services) will be relocated into a central office building. In addition, due to advances in technology (use of Permit*Plan, GIS, and laptops), the inspectors in Code Enforcement and Community Enhancement are doing the technical duties performed by the Permit Technician. As a result of the consolidation and the advances in technology, this position will no longer be needed. (a decrease of 1.0 FTE)
- Add a Secretary I-PT in the Administration Division to assist with special projects for the department and the additional secretarial duties that will be generated by the consolidation of the Code Enforcement Division. (an increase of 0.5 FTE)

Department of Public Works:

- Add a Secretary I in the Water Systems Maintenance Division to assist with increased workload. (an increase of 1.0 FTE)
- Add an Engineering Technician IV and an Engineering Technician V in the Traffic and Transportation Division. The Division will take over work formerly provided through outside contractors. These positions are funded through the reduction of expenditures for service contracts. (an increase of 2.0 FTEs)
- Add a Pedestrian/Bikeway Coordinator in the Traffic and Transportation Division. This position, formerly a grant-funded Bikeway Specialist in the Department of Recreation and Parks (see below), combines functions from both the Departments of Public Works and Recreation and Parks. The new position will not be filled until after the grant-funded position expires in October 2004. (an increase of 1.0 FTE)

Department of Recreation and Parks:

- Delete the grant-funded Bikeway Specialist (October 2004); see the Pedestrian/Bikeway Coordinator in the Department of Public Works, above. (a decrease of 1.0 FTE)
- Delete a part-time Childcare Director in the Childcare Division. (a decrease of 0.4 FTE)

Summary of Position Changes FY 2004 – FY 2005

The following tables summarize the overall regular and temporary position changes (measured in FTEs or full time equivalents), by department, from FY 2004 to FY 2005.

Regular Positions by Department:	FY 2004 Revised	Additions	Deletions	FY 2005 Adopted
Mayor and Council	5.5	0.0	0.0	5.5
City Manager	16.1	0.0	0.0	16.1
Community Planning and Development Services	44.0	0.0	0.0	44.0
Finance	27.5	0.0	0.0	27.5
Information and Technology	21.0	0.0	0.0	21.0
Neighborhood and Community Services	27.5	0.5	1.0	27.0
Personnel	8.0	0.0	0.0	8.0
Police	68.5	0.0	0.0	68.5
Public Works	150.0	4.0	0.0	154.0
Recreation and Parks	<u>159.2</u>	<u>0.0</u>	<u>1.4</u>	<u>157.8</u>
Regular Position FTE Total	<u>527.3</u>	<u>4.5</u>	<u>2.4</u>	<u>529.4</u>

Temporary Positions by Department:	FY 2004 Revised	Additions	Deletions	FY 2005 Adopted
Mayor and Council	0.6	0.0	0.0	0.6
City Manager	0.8	0.0	0.0	0.8
Community Planning and Development Services	0.2	0.0	0.0	0.2
Finance	0.1	0.0	0.0	0.1
Information and Technology	2.5	0.0	0.3	2.2
Neighborhood and Community Services	1.8	0.0	1.6	0.2
Personnel	0.1	0.0	0.0	0.1
Police	1.7	0.0	0.2	1.5
Public Works	10.1	2.7	0.6	12.2
Recreation and Parks	<u>83.8</u>	<u>0.0</u>	<u>6.5</u>	<u>77.3</u>
Temporary Position FTE Total	<u>101.7</u>	<u>2.7</u>	<u>9.2</u>	<u>95.2</u>

Grand Total FTEs for all Positions	629.0	7.2	11.2	625.0
------------------------------------	-------	-----	------	-------

Full Time Equivalent Positions by Fund FY 2003 – FY 2005

Each City of Rockville position, whether regular or temporary in status, is allotted a full-time equivalent (FTE). The FTE associated with each position is then charged against a fund (or funds) determined to be most appropriate to that job, based on the scope of work being performed. Benefits provided with each position are offered on a pro-rata basis based on the FTE count. The charts below list the regular FTEs (top chart) and the temporary FTEs (bottom chart) by fund. The charts listing the allocation of regular and temporary FTEs by department is on the following page.

Regular Positions:	FY 2003 Actual	FY 2004 Revised	FY 2005 Adopted
General	412.0	408.6	410.2
Water Facility	29.8	30.8	31.5
Sewer	14.0	14.0	15.4
Refuse	48.1	50.1	49.5
Parking	1.5	2.0	2.0
Stormwater Management	5.0	5.0	5.0
RedGate Golf Course	12.8	12.8	12.8
Special Activities	1.0	1.0	0.0
Community Development Block Grant	1.0	1.0	1.0
Capital Projects Fund	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>
Regular Position FTE Total	<u>527.2</u>	<u>527.3</u>	<u>529.4</u>

Temporary Positions:	FY 2003 Actual	FY 2004 Revised	FY 2005 Adopted
General	84.5	87.2	79.4
Water Facility	0.0	0.0	0.4
Sewer	0.0	0.0	0.4
Refuse	9.4	7.2	9.0
Parking	0.1	0.1	0.0
Stormwater Management	0.4	0.3	0.8
RedGate Golf Course	7.5	5.5	5.2
Special Activities	1.4	1.4	0.0
Community Development Block Grant	0.0	0.0	0.0
Capital Projects Fund	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Temporary Position FTE Total	<u>103.3</u>	<u>101.7</u>	<u>95.2</u>
Grand Total FTEs for all Positions	630.5	629.0	625.0

The Budget Development Process

General — The City Charter requires the City Manager to submit a budget to the Mayor and Council at least one month before the beginning of each fiscal year. In addition to the operating budget, a six-year capital improvement plan is presented for the Council's review. The Mayor and Council schedule and publish advance notices of public hearings. The budget is approved in the form of an appropriations ordinance. During the year, the City Manager has authority to transfer budgeted amounts between departments within any fund, but changes in the total appropriation level for a given fund can only be enacted by the Mayor and Council through a budget amendment ordinance. The City amends the budget approximately four times throughout the fiscal year as needed. The amendments occur typically in October, January, March, and May.

FY 2005 Operating Budget — In light of current economic conditions, the City staff borrowed a process pioneered in Palo Alto, California called "Strengthening the Bottom Line" as a way to generate ideas and suggestions to improve efficiency and cut costs. Employees and work teams at all levels took part in this effort during the fall and the resulting suggestions were incorporated into the departmental budget submissions. In December 2003, established targets and worksheets were distributed to departments. In January and February 2004, the Acting City Manager held meetings with the senior management team and division heads to discuss priorities for the coming year. Preliminary worksessions took place on February 2, 2004 and February 17, 2004 with the Mayor and Council to discuss general budget issues. The collective recommendations of the senior management team form the basis for the Acting City Manager's recommended budget. During March 2004, the budget staff prepared the FY 2005 Proposed Operating Budget and FY 2005 - FY 2010 Capital Improvements Program for presentation to the Mayor and Council on April 12, 2004. After further review and discussion between the Mayor and Council and the senior management team, public hearings were held on April 19, 2004 and May 3, 2004, to solicit citizen responses to the proposed budget. Following the public hearings, the Mayor and Council conducted worksessions on May 11, 2004, May 17, 2004 and May 24, 2004 to discuss the budget prior to adoption. The Mayor and Council will approve the budget and adopt ordinances, which set forth the property tax rate, the water and sewer rates, and the refuse charge on June 14, 2004. During June and July, the budget staff prepared the FY 2005 Adopted Operating Budget and FY 2005 - FY 2010 Capital Improvements Program under the direction of the Acting City Manager. The adopted budget for FY 2005 took effect July 1, 2004.

FY 2005 Capital Improvements Program — In October 2003, the City Manager solicited requests from departments, neighborhoods, and homeowners associations for Capital Improvements Program (CIP) projects. The deadline for submitting requests was November 14, 2003. Staff evaluated all requests received for inclusion in the proposed budget. A list of the requests and actions taken is located on pages 6-7 in the CIP overview section of the CIP.

The operating budget and CIP are available on the City's Web site (www.rockvillemd.gov) and highlights are available on *The Rockville Channel* (Ch.11) and in *Rockville Reports*. The adopted budget document is available to departments, agencies, schools, libraries, media, and the public by September of each year.

The chart below is a monthly time-line of the major components of the FY 2005 budget development process.

Formulation of Operating Budget and CIP; Neighborhood CIP Requests Solicited						
	Executive and Budget Office Review, Preliminary Worksessions, Development of the Proposed Operating Budget and CIP					
		◆ ◆		Meetings and adoption of budget and CIP		
				●	● ◆ ◆	◆ ■
Dec. 2003	Jan. 2004	Feb. 2004	Mar. 2004	Apr. 2004	May 2004	Jun. 2004

● Public Hearing

◆ Mayor and Council Worksession

■ Budget/CIP and Utility Rates Adoption

City of Rockville Organizational Chart

The chart below details the City's organizational structure by function for each department. Individual organizational charts for each department are located on the tab divider for each department.

